

Vol 49

3.

THE GRAND TRUNK RAILWAY COMPANY  
OF CANADA.

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COPY

CORRESPONDENCE

(APRIL—JUNE, 1876,)

BETWEEN

THE GREAT WESTERN RAILWAY  
OF CANADA

AND

THE GRAND TRUNK RAILWAY OF  
CANADA,

REGARDING AN OFFER BY THE FIRST NAMED COMPANY TO  
LEASE ALL THE GRAND TRUNK LINES WEST OF TORONTO  
(INCLUDING THE DETROIT AND SARNIA, BUFFALO AND  
LAKE HURON) THE INTERNATIONAL BRIDGE, AND PART  
OF THE TORONTO STATION.

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LONDON :

PRINTED BY WATERLOW AND SONS LIMITED.

1876.

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GRAND TRUNK RAILWAY COMPANY OF CANADA.

CORRESPONDENCE WITH GREAT WESTERN

RAILWAY OF CANADA.

(APRIL—JUNE, 1876.)

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(No. 1.)

GREAT WESTERN RAILWAY OF CANADA,  
126, Gresham House, Old Broad Street,  
London, *April 15th*, 1876.

MY DEAR SIR,

It will be in the recollection of the President and Vice-President of the Grand Trunk Railway, that a few days before my President left for Canada in January last, a conference between Mr. Potter, Captain Tyler, and Mr. Childers, took place at this office, and that it was understood that Mr. Childers (and Mr. Cockburn who accompanied him) would specially enquire into the feasibility of effecting those more intimate arrangements between the Grand Trunk and Great Western Companies, which have been the object of so much anxious consideration during the last year or more. My President and Mr. Cockburn have now returned, and their views having been carefully discussed at my Board, I have received instructions to make a proposal to the Board, and through them to the shareholders of the Grand Trunk Company, which my Directors feel confident will meet with most earnest attention and consideration from all concerned.

15th April,  
1876.

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I am, in the first place, to recall to you what has been the character of the negotiations between the two Companies since the early part of the year 1875.

When at that time (through whose fault I express no opinion) an active, and in the view of both Boards, unnecessary competition sprung up in Canada, mainly affecting local traffic, friendly communications passed between our Presidents, which led to an agreement of the following tenor, viz.: "That the two Boards have accepted the principle of

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equal rates, fares, and favours throughout the whole field of competition, the two Executives to meet immediately and agree them."

This arrangement was, on March the 8th, 1875, telegraphed to our Executives in Canada, and for some time considerable improvement in the business of both Companies resulted; a memorandum of agreement having been executed by the representatives of both Companies, dated March 30th, 1875, with schedules attached, regulating the rates, &c.

It was, however, plain to both Mr. Potter and Mr. Childers, that an agreement of this character would not hold long. Similar arrangements had been more than once made in the history of our Companies, and had invariably broken down. Accordingly, fortified by resolutions in identical terms adopted by our respective shareholders in April, 1875, a series of interviews took place between our Presidents in the following June, at which schemes for more intimate union between the two Companies were discussed in all their bearings. It appeared probable that one of these would be adopted, when at the last moment a Director of the Grand Trunk, of great legal ability, interposed a doubt whether the proposed arrangement could be made binding without an express statutory enactment, which it might be difficult to obtain. A case was accordingly prepared with great care for the opinion of eminent counsel, and as that opinion went to strengthen the doubt which had been put forward, the scheme was abandoned. But another agreement of a more limited character, not apparently open to legal objection, was, after discussion, agreed upon by our Presidents. It was to the effect that competitive traffic should be divided on a plan similar to that known in this country as the "Gladstone Award." The respective managers were to meet without delay, and arrange per-centages for the division of traffic, and agree rates and fares, the Board instructing them to make all possible concessions without (if it could be avoided)

the intervention of an umpire to decide between them. The divisions were to take effect at the earliest date and to be for ten years, and, as provided by the Statutes of the Dominion, they were to be confirmed by the respective shareholders of the two Companies.

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1876.

This agreement was dated the 8th July, 1875, and at once transmitted to our Executives. Mr. Broughton, the new General Manager of the Great Western, was only just taking up his office, and it was certain that some time must elapse before he could make much progress with the calculations, which were to form the basis of the subsidiary schedules. The lamentable fire at the Grand Trunk Office in Montreal, also inevitably occasioned much delay. But both Mr. Broughton and Mr. Hickson commenced to collect the statistics of traffic, and it was our expectation that by this time, considerable progress in the permanent settlement would have been effected.

At our Special General Meeting in November last, our proprietors approved the action taken by the Board. Meanwhile, the relations between our Companies, and the position held by each, in Ontario, were suddenly complicated by the change in the Proprietorship of the Canada Southern Railway, which took place in January last. Some proposal (the exact nature of which seems not to have been clearly understood) had been made by Mr. Hickson to the Grand Trunk Board, after interviews between that gentleman and Mr. Broughton, in Canada; and this led to the suggestion communicated by Mr. Potter and Captain Tyler to my President, that our General Managers should be instructed by cable to confer at once with the General Manager of the Canada Southern, with a view to a per-centage division (commonly called a "pooling") of the traffics of the Great Western, the Canada Southern, and of the lines of the Grand Trunk, lying to the West of Toronto.

When this suggestion came to be more carefully dis-

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cussed, it became evident that it was founded on some misunderstanding (to which I have already referred) of what had passed in Canada; and the result was the conference between our Presidents and Captain Tyler, at which the proposed Telegram was abandoned. My President, however, undertook to give special attention in Canada to this, among other suggestions; and accordingly he met Mr. Hickson at Montreal, and subsequently at New York. It is out of what passed between them that the present proposal of my Board springs.

Mr. Hickson very frankly explained to my President what in his view were the difficulties of the question, and how far we could expect satisfactory results from the agreements of April and July, 1875. He satisfied my President, or rather confirmed him in the opinion, that neither of these arrangements was adequate for the permanent relief we both sought. And he then made the specific proposal to Mr. Childers, that, omitting the Canada Southern for the present, the Grand Trunk and Great Western should agree to put into a common purse, the latter their whole gross receipts, the former those of the lines West of Toronto, to be divided according to a fixed per-centage, with proper deductions (on account of working expenses) from the excess payable by one Company to the other; and that there should be inserted a clause in the agreement for the adjustment by arbitration of the per-centages from time to time. It was arranged that the proposition should be in the first instance referred to the local Solicitors (for consideration as to its validity) in consequence of the legal opinions taken in London in 1875; and at the second meeting at New York my President, admitting the great advantages of such an arrangement if practicable, stated to Mr. Hickson that, before submitting it to my Board, it was essential that he should have some idea of the traffic which the Grand Trunk would probably put into the "Pool." The figures of the Great Western's entire

receipts were known from the published accounts, but nothing was disclosed, in the reports of the Grand Trunk, as to the amount of traffic which might be attributed to the Eastern and Western portions of the line respectively, assuming Toronto as the centre. After some demur, and on the understanding that his estimate must be treated as a very rough and uncertain one, Mr. Hickson expressed his opinion that, taking the receipts of the two last half-years of which reports had been published (namely, from July, 1874, to June, 1875), at £2,000,000, about £750,000 might be attributed to the 423 miles West of Toronto, and £1,250,000 to the 966 miles East of Toronto. The receipts of the Great Western during the same 12 months were about £900,000.

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1876.

My Directors have given to this last proposal their most careful consideration. It has certainly great merit, if carried out in the spirit with which, doubtless, both Boards would in the first instance accept it. But there are objections to it which, in the opinion of my Board, could not but be in the end fatal to its success.

The Grand Trunk Railway, though it carries a limited amount of through traffic, viâ the International Bridge, between the New York Central and Erie Companies to the East, and Canada and the Michigan Companies to the West, is chiefly interested in directing as much traffic as possible over its main line to and from Montreal, Quebec, Portland, and (viâ the Vermont Central) Boston.

The Great Western Company on the other hand, though it delivers to, and receives from, the Grand Trunk a certain amount of traffic at Toronto, is in the main a link in the American through system between New York and Boston to the East, and Michigan to the West, viâ the Suspension Bridge and Buffalo. As long as the lines from Toronto, Suspension Bridge, and the International Bridge to Detroit, remain under separate managements, it appears to my Board absolutely certain, that imputations of unfair advantage, given

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1876.

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by one or the other, in the direction of the through traffic, will constantly arise. Although the receipts may, at the end of each half-year, be put into a common purse, the Grand Trunk will be interested in quoting rates below the tariff, in order to secure business over their long seaward line to the East of Toronto, in the receipts of which the Great Western will have no interest. On the other hand, the American Companies will be naturally jealous of an arrangement which will have the appearance of being made with the intention of diverting from New York and Boston to Montreal and Portland traffic carried by the Great Western; and the recent discussions and ruinous contest, about the Grand Trunk's Boston Traffic, would be revived with intensified force. Hence, a large amount of traffic, now carried by the Great Western between Suspension Bridge, Buffalo, and Detroit, might be expected to be diverted to the other competing systems, with which the New York Central and the Erie are connected, to the manifest injury both of the Great Western and of the Grand Trunk itself.

My Board have, therefore, come to the conclusion that Mr. Hickson's proposal would fail to secure its own objects.

But they now instruct me to communicate to you a counter-proposal, which, in their view, will not be open to the above objections, while it will have all the advantages of Mr. Hickson's scheme.

This counter-proposal is based on the original policy of the Canadian Legislature and Government, on the faith of which the Great Western Railway was built. By the Acts of 1851 and subsequent years, it is provided that there shall be a main trunk line of Railway from the East to the West of Canada; *i.e.*, from Quebec through Montreal, Toronto, Hamilton, to Windsor. Of this main trunk line the Great Western system between Toronto, Hamilton, and Windsor, and subsequently the line between Suspension Bridge and Hamilton, was declared to be a part. The main trunk line

from Toronto to Montreal and the East was given to your Company. 15th April,  
1876.  
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I need not refer to the causes of the unfortunate change of policy, which in spite of the report of the Committee of the Canadian Legislature of October 30th, 1852, established, as part of the Grand Trunk system, a line from Toronto to Sarnia (afterwards extended to Detroit,) thus directly and unnecessarily competing with the Great Western. But there can be no doubt of one fact, namely, that to this change the disasters of the Grand Trunk and the Great Western are mainly due. A *Grand Trunk Line* between Toronto and Detroit, established to compete with a *main trunk* line between the same places, was as great a blunder as a misnomer; and the resulting loss of British capital has been enormous.

It appears, however, to my Board, that it is not even now too late to return to the original intention of the Canadian Legislature. I am, therefore, to make to you the following proposition, namely, that the Grand Trunk Company should lease to the Great Western Company, in perpetuity (or for a long term), all their lines west of Toronto, including the Detroit and Sarnia, Buffalo, and Lake Huron; their interest in the International Bridge, and part of their interest in the Toronto Station, at a rising rent. That the property leased should include a fair proportion of rolling stock. That the Great Western should be bound not to charge, between Detroit and Toronto, higher fares and rates than between Detroit and Suspension Bridge, or International Bridge, with corresponding conditions, as to fares and rates, to and from other points. That, in order to ensure the observance of these conditions, one or two Directors of the Grand Trunk should be elected to seats at the Great Western Board, under a reciprocal arrangement as to the Grand Trunk Board. It should be declared to be the object of the lease to develop the trade of the Ontario Peninsula, and the through trade to and

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from the West, whether through Montreal or the State of New York, on equal terms.

I need not point out to you what great advantage the public would secure from such an arrangement. As soon as the main lines of our two Companies, the Great Western Loop Line and Sarnia Branch, and the Buffalo and Stratford Line, came under one management, both passenger and freight trains might be so arranged as to ensure far greater speed, punctuality, and public convenience, than at present. The heavy charges for agencies and staff service would be at once reduced; and in other respects unity of management could not fail to be satisfactory, both to the Grand Trunk and the American Companies whose traffic would pass over the consolidated system.

The rent would have to be settled when the proper division of the Grand Trunk receipts, between their Eastern and Western Sections, had been ascertained. Assuming, however, for the moment, the accuracy of Mr. Hickson's estimate, my Board are prepared to offer a minimum rent of £225,000 a-year, to be increased by £10,000 a-year for every  $\frac{1}{2}$  per cent. per annum, paid by this Company on its ordinary stock, up to  $1\frac{1}{2}$  per cent., and by £20,000 for every  $\frac{1}{2}$  per cent. above  $1\frac{1}{2}$  per cent. per annum. When this Company pays 5 per cent. to its Shareholders, the rent would be £395,000; thus enabling the whole of the net earnings of the Grand Trunk system East of Toronto to be devoted to the payment of your Preference and Ordinary Shareholders.

I need not say that this proposal is made subject to the necessary confirmation by the Shareholders of this Company.

I am, my dear Sir,

Yours faithfully,

(Signed)

BRACKSTONE BAKER,

*Secretary.*

J. B. Renton, Esq.,

*Secretary,*

Grand Trunk Railway

*Letter from Mr. Potter to Mr. Childers and reply thereto. 11*

(No. 2.)

STANDISH HOUSE, STONEHOUSE,  
GLOUCESTERSHIRE,

*April 19th, 1876.*

MY DEAR MR. CHILDERS,

The letter of your secretary to Mr. Renton shall have the early and serious consideration of the Grand Trunk Board. I am afraid we cannot do justice to the proposal before our shareholders' meeting, which takes place on Thursday, the 27th, and we always have a Directors' meeting the day before; the discussions at which are confined to subjects likely to be brought before the meeting. I dare say you have considered and determined the point, but I am sure it would greatly assist our deliberations if we knew where it is intended to place the rent-charge, before, or after your Debenture and Preference Stocks and other rent-charges.

This question becomes all important, in consequence of the inadequacy of your net revenue, at present, to meet all its fixed and preferential charges.

Sincerely yours,  
(Signed) RICHARD POTTER.

The Right Hon.

HUGH C. E. CHILDERS, M.P.,

*President,*

Great Western of Canada.

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(No. 3.)

GREAT WESTERN RAILWAY OF CANADA,  
126 GRESHAM HOUSE, OLD BROAD STREET,  
LONDON, 25th April, 1876.

MY DEAR MR. POTTER,

I should have replied to your letter sooner, but I only returned here from the North yesterday.

19th April,  
1876.  
—

25th April,  
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12      *Grand Trunk Railway Company of Canada.*

25th April,  
1876.  
—

Our intention would be to deal with the rent in the way usual with similar payments, and arrange for its ranking before the Debentures and Preference Stock, and *pari passu* with the other rent-charges, which are but of small amount.

Yours very truly,

(Signed)      HUGH C. E. CHILDERS.

RICHARD POTTER, Esq., *President*,  
Grand Trunk Railway.

—  
(No. 4.)

GRAND TRUNK RAILWAY COMPANY OF CANADA.

21, Old Broad Street,

London, E.C.,

May 17th, 1876.

MY DEAR SIR,

17th May,  
1876.  
—

I am now instructed by the Directors to acknowledge the receipt of your letter dated the 15th April, which was delivered at this office on Easter Monday, the 17th April.

Having regard to the gravity of the proposals which it contained, and to the then forthcoming Half-yearly Meeting, the Directors postponed its full consideration until after the Grand Trunk General Meeting.

Your letter consists of two parts. (1). A résumé of the negotiations between the two companies since the early part of last year. (2). A proposal of the Great Western Company, to lease for a long term, or in perpetuity, 443 miles of the Grand Trunk Railway, West of Toronto.

As regards the first part (whilst unable to admit its accuracy in some not unimportant particulars), my Directors would merely remind your Board, that in the course of the discussions early in 1875, between the two Presidents, and at one of the last series of interviews, which had for their object the fusion of the nett receipts of our two Companies,

Mr. Childers and Mr. Potter, on behalf of the two Boards, exchanged ideas, as to the proportion of nett receipts, which they could respectively recommend to be accepted as the basis of a fusion of the two undertakings; and that the divergence of views upon this all important point was so great, the margin between what was claimed on the one side, and on the other was so wide, that an agreement upon this basis appeared to be then hopeless.

17th May,  
1876.

I must also remind you, that the same divergence of view became manifest, in the early negotiations between Mr. Broughton and Mr. Hickson, for a division of the receipts of competitive traffic, Mr. Broughton desiring to effect the apportionment upon the results of an earlier period than the year 1874, whilst Mr. Hickson naturally declined to be guided by the results of any period anterior to 1874, because the Grand Trunk had, up to that time, been worked upon an exceptional gauge, and with an inadequate equipment.

Again, before the change of ownership of the Canada Southern Railway took place, Mr. Hickson had communicated to Mr. Broughton that he was prepared, with the concurrence of the Canada Southern Executive, to join in an arrangement for the division of the receipts of these three competing companies, but Mr. Broughton expressed his unwillingness to entertain this idea.

Immediately afterwards, namely, on the 12th January last, the Grand Trunk Board passed the following resolution, viz :—

“ The correspondence and telegrams between the President, Captain Tyler, and Mr. Childers the President of the Great Western Railway of Canada, on the subject of “ a proposal for ‘ Pooling ’ traffic, competed for by the Grand Trunk, Great Western, and Canada Southern, were read, “ and the following draft of a proposed joint cable message “ was agreed upon, and the Secretary was instructed to

17th May, 1876. "bring it before the Great Western Company for approval."

Viz.:—

"The two Boards have decided to instruct yourself and (Hickson Broughton) to join in agreement with Muir on proportions under which receipts of Grand Trunk, west of Toronto, of Great Western and Canada Southern, thrown into common purse, may be distributed amongst the three Companies.

(Proposed to be Signed) { "RICHARD POTTER,  
"HUGH CHILDERS."

Much to the surprise and regret of the Grand Trunk Directors this resolution was rejected by your Board.

The General Manager of this Company has advised his Board (and it also appears from your letter) that when Mr. Childers was in Canada, Mr. Hickson made a further proposition to him, and the Great Western General Manager, having for its object an agreement between our two Companies similar to that which (as just mentioned) the Directors of the Grand Trunk Railway passed a Resolution approving of, as between the three Companies.

But to this proposal, also, you now state that your Board see objections which you enumerate, and which you say, "Could not but be in the end fatal to its success."

The second part of your letter contains a most important proposal, and of an entirely novel character, namely:—

"That the Grand Trunk should lease to the Great Western Company, in perpetuity (or for a long term), all their lines west of Toronto, including the Detroit and Sarnia, Buffalo, and Lake Huron, their interest in the International Bridge, and part of their interest in the Toronto Station, on a minimum rent, £225,000 a year, to

"be increased by £10,000 a year for every  $\frac{1}{2}$  per cent. per annum paid by your Company on its Ordinary Stock up to  $1\frac{1}{2}$  per cent., and by £20,000 for every  $\frac{1}{2}$  per cent. above  $1\frac{1}{2}$  per cent. per annum."

17th May,  
1876.

The Board having carefully considered your offer, I am to inform you in reply that the Grand Trunk Board find themselves (after the most careful consideration) wholly unable to entertain this new proposal, either as regards the principle involved or the terms proposed, and for the following among other reasons :—

That they would in acceding to it part with, and permanently lose all control over, a most important portion of their system, the source and channel of a very large amount of valuable traffic.

And the position which they have done so much to obtain and improve, and which will, in their opinion, ultimately prove on the return of prosperity in America and Canada, to be of great value, would be surrendered.

The objections which you enumerate as applicable to the other methods of friendly arrangement would apply, and with even greater force, to this new proposal, even if sanctioned by the Shareholders and the Legislature.

As you clearly explain in your letter of the 15th April, whilst the Grand Trunk "is chiefly interested in directing "as much traffic as possible over its main line to and from "Montreal, Quebec, Portland, and Boston," in fact, through the Dominion of Canada, the Great Western, on the other hand, is simply "*in the main, a link in the American through system*" between New York and "Boston to the east, and "Michigan to the west, via the Suspension Bridge and "Buffalo."

With interests so conflicting it would be absolutely necessary (if your new proposal could be entertained at all) for the protection of the public, of large industrial interests in Eastern Canada, and of our through traffic between all

17th May,  
1876.

places west of Toronto, and all places on our line and upon our connections east of Toronto, to and from Montreal, Portland, Boston, and the whole of New England, with intermediate stations, that we should reserve the fullest running powers at mileage rates, and of the most complete and stringent character over the surrendered part of our line, reservations which it would be difficult for the Great Western of Canada to admit, without very seriously abating from, if not destroying, the value to them of their supposed new acquisition.

For these reasons my Board think it useless to enter upon any discussion of your new proposal, since there could be no practical result; they are fully sensible (looking on both sides of the question as a whole) of its inherent complexity, in consequence of the relative situations and interests of our two systems of railway; and, of course, it is far more easy to state objections to any plan which can be suggested than to overcome them.

I am, however, directed to call your attention to the fact that, during the last six months, much has been done by the large American companies between themselves in the direction of "pooling," or division of receipts, and the Canadian Executive of this Company (acting under the orders of this Board) has, and especially in the two different proposals made by Mr. Hickson to Mr. Broughton, shewn an earnest desire to adopt the same method of abating the evil of unnecessary and injurious competition.

It is, my Board believes, in *this* direction, that further efforts towards harmonious working seem to offer the best prospect for a mutually advantageous agreement.

Without, however, pressing this view, or underrating the difficulties either of arranging the needful terms and conditions, or of giving legal effect to them, the Directors are not only ready but anxious further to discuss the general subject, and in a frank and conciliatory spirit, either upon

*Letter from Great Western Railway of Canada.* 17

the basis of an absolute fusion of the Companies (subject, of course, to legislative sanction), or of a division (within the present powers of the two Companies) of competitive traffic generally, or of any particular class of traffic which admits of being so dealt with to mutual advantage.

17th May,  
1876.  
—

I am, my dear Sir,  
Yours faithfully,  
(Signed) J. B. RENTON,  
*Secretary.*

Brackstone Baker, Esq.,  
*Secretary,*  
Great Western Railway Company of Canada.

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(No. 5.)

GREAT WESTERN RAILWAY OF CANADA,  
126, Gresham House, Old Broad Street,  
London, *May 30th*, 1876.

MY DEAR SIR,

My Directors have received and well considered your letter of the 17th inst. in reply to theirs of the 15th April.

30th May,  
1876.  
—

They do not wish to remark at any length on the narrative with which your letter commences. But they would remind your Board (1) that, although in the conferences which took place last June between our two Presidents, there was at first some divergence of view with respect to the percentages to be established, in the event of a division being made of net receipts, the serious discussion of that division was prevented by the legal objections suddenly interposed by a member of your Board, (2) that Mr. Broughton entirely

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1876.

denies that the casual and incidental conversation he had with Mr. Hickson, on the subject of some approach to the Canada Southern, was of the character described by the latter gentleman, and (3) that Mr. Hickson most positively assured my President, that the only "pooling" of receipts, recently recommended by him to your Board, related exclusively to the traffic between Detroit and Buffalo.

It was in consequence of Mr. Broughton's cabled assurance that he had had no discussion with Mr. Hickson in relation to the "pooling" of the traffic west of Toronto, between the Grand Trunk, the Great Western and the Canada Southern, since the control of the latter road had passed into the hands of Mr. Vanderbilt, that my Board were unwilling to send the peremptory instructions proposed by your Board on the 12th January last. My President, however, undertook to give the matter his most careful consideration on the spot, and he left England for Canada a few days after your proposal was made. But it was evident, at his first interview with Mr. Hickson, (who I repeat distinctly repudiated having recommended such an arrangement since the change took place in the Canada Southern Proprietorship) that the scheme was entirely impracticable.

I will not, however, dwell further on these comparatively unimportant differences as to verbal communications; but I will address myself to your reply to the proposal contained in my former letter.

I am to point out to you that, while portions of that proposal are recited in your letter, other and most material parts of it are altogether omitted. It was in reference to, and in anticipation of the very objections which your Board now raise, that the three following conditions were included in the plan submitted by my Board.

First.—It was to be declared that one of the objects of the suggested plan was the development of the trade of the Ontario Peninsula, as well as the through trade to and from

the West, whether viâ Montreal, or viâ the State of New York on equal terms.

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Second.—The Great Western were to be bound not to charge, between Detroit and Toronto, higher fares and rates, than between Detroit and the Suspension or the International Bridges, with corresponding conditions as to fares and rates to and from other places.

Third.—In order to ensure the observance of these conditions, one or two Directors of the Grand Trunk Company were to be elected to seats at the Great Western Board, under a reciprocal arrangement as to the Grand Trunk Board.

My Board cannot but think that, as those most material conditions are omitted from your letter, (and they are most essential both for the well-being of our two Companies and in the interests of the Dominion) they have not been fully considered by your Directors. At the same time, I am to add, that my Board will be prepared to discuss any suggested amendments in or additions to them, which might be calculated to give to your Company, and to the Canadian public, the most ample safeguards for the development of Canadian traffic.

Your letter concludes, however, with two counter-proposals; the first, that my Board should refer to what has been done, during the last six months, by the large American Companies, in the direction of "pooling," or division of receipts; and should make further efforts to arrive at similar results with your Company "so as to abate the evil of unnecessary and injurious competition;" the second, that we should discuss with you "an absolute fusion of the Companies."

As to the first proposal, my Directors would refer you again to the objections which they set out at some length in their former letter, the force of which your Board appears to recognize. They are surprised that you should make reference to any recent action in this direction by the large American

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1876.  
—

Companies. Although it is quite true that, from time to time, "pooling" arrangements have been concluded between the Railway Companies, in the district which we serve, it is unfortunately also true that they have all broken down; and the most recent and the most hopeful combination of this character, viz., that made within the last six months between the Michigan Central, Michigan Southern and Pennsylvania Companies, (to which I presume you refer) has to our common injury, been determined within the last few weeks.

With reference to the second proposal, namely, "an absolute fusion of the two Companies subject to legislative sanction," my Directors have reason to believe that such legislative sanction could not be obtained, and they have cause to fear that the American Roads between New York or Boston and the Niagara River, would regard such fusion as an act of hostility on the part of the amalgamated Companies, a feeling which if unhappily engendered, might lead to a serious diversion of the through traffic now passing over both our systems between the Niagara and Detroit frontiers, without a sufficiently compensatory traffic being received via Toronto.

If, nevertheless, you will be so good as to communicate to me in writing a *precise* and *tangible* plan, giving us much detail, both in conditions and in figures, as the proposal we have made to you, I can assure you that it will be at once seriously and carefully discussed by my Board with their officers, and an answer shall be sent to you.

Meanwhile, I am to renew to your Board the proposal previously made, repeating the willingness of my Directors to consider any further provisions necessary for the protection and development of Canadian traffic, if those proposed by them should be deemed insufficient, namely, That the Grand Trunk Company should lease to the Great Western Company in perpetuity (or for a long term) all their lines west of Toronto, including the Detroit and Sarnia, Buffalo and Lake

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1876.

Huron, their interest in the International Bridge, and part of their interest in the Toronto Station at a rising rent. That the property leased should include a fair proportion of rolling stock. That the Great Western should be bound never to charge between Detroit and Toronto higher fares and rates than between Detroit and Suspension Bridge, or International Bridge, with corresponding conditions as to fares and rates, to and from other points.

That in order to ensure the observance of these conditions, one or two Directors of the Grand Trunk should be elected to seats at the Great Western Board, under a reciprocal arrangement as to the Grand Trunk Board. That it should be declared to be the object of the lease to develop the trade of the Ontario Peninsula, and the through trade to and from the west, whether through Montreal or the State of New York, on equal terms. That the rent should be settled when the proper division of the Grand Trunk receipts between their eastern and western sections had been ascertained, but that, assuming for the moment, the accuracy of Mr. Hickson's estimate, it should be £225,000 a year, to be increased by £10,000 a year for every  $\frac{1}{2}$  per cent. per annum paid by this Company on its ordinary stock up to  $1\frac{1}{2}$  per cent., and by £20,000 for every  $\frac{1}{2}$  per cent. above  $1\frac{1}{2}$  per cent. per annum. When this Company pays 5 per cent. to its shareholders, the rent would be £395,000, thus enabling the whole of the net earnings of the Grand Trunk system east of Toronto to be devoted to the payment of your preference and ordinary shareholders.

That this proposal be subject to the necessary confirmation by my shareholders.

I am, my dear Sir,

Yours faithfully,

(Signed) BRACKSTONE BAKER,

*Secretary.*

J. B. Renton, Esq.,

*Secretary, Grand Trunk Railway.*

(No. 6.)

GRAND TRUNK RAILWAY COMPANY OF CANADA,  
21, Old Broad Street, London, E.C.

*7th June, 1876.*

MY DEAR SIR,

7th June,  
1876.

I am instructed to acknowledge the receipt of your letter of the 30th ultimo.

My Board are unable to see any advantage in further reference to the past than may be collected from my last letter to you (by which they must be understood as abiding, though there seems to be some considerable difference between us), and they therefore abstain from allusion to any portions of yours now before me, except such as bear on the future.

If we did not in my last letter enter exhaustively into the obvious objections to your proposed dismemberment of our undertaking, it was only because we thought we said enough to show you that it was (in our view, at least) altogether out of the question; and now again, we would only desire to state generally why we considered, and still consider it to be so.

First of all, it seems clear that the absolutely needful Parliamentary sanction for it, could not (in consideration of the public interest) be obtained; next, that if it could be obtained, the rent you propose is inadequate; next, that in the state of your affairs (your net revenues not covering your own mortgages within more than £100,000 a-year), we could have nothing at all approaching security for even the smallest proposed amount of rent; next, that to hand over to you the proposed part of our undertaking, would be to deprive us of the results of all our past exertions and to destroy the future of our undertaking, in fact, to dismember it to its destruction; and lastly, that your proposed plan would not secure the fair public interests of Canada, but would rather give you the means, if not also the inducement, still further to hand over

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our (or, as I may call them, Canadian) interests to American competitors, from whose influence over your undertaking ("in the main, a link in the American through system," as it is properly described in your letter of the 15th April) it is and has been all along our complaint, that both we and you already suffer much, and from whom, rather than from your Company, we might not unnaturally have expected such a proposal.

It seems to the Board of this Company that objections of so grave and so vital a nature as these are best stated frankly and briefly.

Whether the suggestion proposing a "pooling," or division of receipts, with which my last letter closed, be or be not open to the same class of objections; or whether, on the other hand, experience in England as well as on the other side of the Atlantic, has not shown the contrary (though, no doubt, with occasional temporary interruptions), my Board must now leave it to yours to decide; merely again stating their own anxious desire for amicable relations with your Company (in the true interests of both and of the Canadian public), and their hearty readiness, in that spirit, to communicate further with your Board, whenever your Directors think they can see their way to such a mutually desirable result.

If the Executive Officers of the two Companies were determined to carry out the orders of the two Boards, and if those Boards were both in a position (in relation to other Companies) to give such orders as if carried out *must* tend to give effect to Agreements in fact entered into between them, it is certain that at least much, if not all, of that mischief would be prevented from which both Companies have heretofore suffered, and are at present suffering.

In respect to your request that the Directors should communicate in writing a precise and tangible plan of absolute fusion of the two Companies, I am desired to

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remind you that the basis of an absolute fusion was settled between the two Presidents at their prolonged interviews in June last, on the principle of the North Eastern and Great Western amalgamations in this country. The Memorandum adopting this basis was precise, tangible, and complete in all respects but one, viz., the proportions of net receipts, which should accrue respectively to each Company.

The Directors offer the above agreed Memorandum as a precise and tangible plan, and in accordance with the precedents in the North Eastern and Great Western amalgamations, the Directors offer the identical proportions and basis accepted by these Companies, viz., the net receipts of the last preceding twelve months, the year 1875 (in case of need to be determined by Arbitration) as the proportions to be given to each Company, the fusion to date from the 1st January, 1876.

The Directors are still persuaded that such a fusion is, to say the least, more likely to obtain Parliamentary sanction than the lease of the Western end of the Grand Trunk to your Company.

I am,

My dear Sir,

Yours faithfully,

(Signed)

J. B. RENTON,

*Secretary.*

Brackstone Baker, Esq.,

*Secretary,*

Great Western Railway Company of Canada.

(No. 7.)

GREAT WESTERN RAILWAY OF CANADA,  
126, Gresham House, Old Broad Street,  
19th June, 1876.

MY DEAR SIR,

My Board have considered, and desire me to reply briefly to your letter of the 7th inst.

19th June,  
1876.

They accept as final your Board's refusal to discuss further the proposal I made to you on 15th April, but they regret the chief reason assigned for that refusal. You state that it would hand over to American competitors Canadian interests, inasmuch as the undertaking of the Great Western Railway is "in the main a link in the American through system." But the proposal of my Board was expressly for the discontinuance of this state of things, and for a return to the original policy of the Canadian Government and Legislature; under which the Great Western Railway, from Suspension Bridge and from Toronto to the West, was to be part of a "Main Trunk system," impartial as between the Canadian and American connecting lines. My Board firmly believe that a recurrence to this wise policy would be efficacious in restraint of the reckless competition between the rival through lines, which is now destroying so many millions of British capital invested in Canada, and doing permanent injury to the Dominion.

They also accept as final, and they are not in the least surprised at, your inability to propose a scheme of "absolute fusion" of the two Companies. They cannot conceive that your Board seriously regard the arrangement contemplated last June (the negotiations for which were broken off by the Grand Trunk), and which you now again put forward, as a plan of "absolute fusion." It was a scheme for a per-centage division of net receipts, which, after the objections taken to it by one of your Directors, was entirely abandoned. Though on a somewhat larger scale, it was of the same nature as the

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proposed "pooling" of all our traffic and of yours to the west of Toronto, which, after the experience of the last few months, or even weeks, no one desiring to make a permanent settlement could seriously entertain.

But my Board reciprocate the expressions of readiness to confer again with your Board when you see your way to any practical arrangement.

They sympathise most sincerely with the feeling which led you to refer to the unwillingness of executive officers in Canada to carry out the orders of their Board. The ruinous attacks which Mr. Hickson is now making on the rates and fares in Canada, of which we have just received notice (and which follow up his recent attacks on the through rates), and his admitted disinclination to act on the agreement of the 8th July, 1875, must be very disheartening to your Board. Our instructions to Mr. Broughton are scrupulously observed by that gentleman.

My Directors greatly regret that the correspondence (which will, of course, now be communicated to our shareholders) terminates thus without result. But the failure of their proposal will not deter my Board from using their utmost endeavours to cultivate and maintain friendly relations with the Grand Trunk Company; and, when the present unhappy "railway war" between the Grand Trunk and some of the American through lines shall have ended, they earnestly hope that an opportunity may occur of making fresh arrangements between our Companies for equal and reasonable rates and fares, and for the reduction of competition to a minimum.

I am, my dear Sir,

Yours faithfully,

(Signed)

BRACKSTONE BAKER,

J. B. RENTON, Esq.,

*Secretary.*

*Secretary,*

Grand Trunk Railway.

